



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 13, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eagle Valley Bank, National Association
Charter Number 11526**

**102 N. Washington
St. Croix Falls, WI 54024**

**Comptroller of the Currency
Minneapolis North Field Office
920 Second Avenue South, Suite 800
Minneapolis, MN 55402**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

CRA Ratings.....	2
Description of Institution	2
Description of Assessment Areas.....	3-4
Scope of Evaluation	5
Performance Conclusions	
Loan-to-Deposit Ratio	6
Lending in Assessment Areas	6
Lending to Borrowers/Businesses of Different Incomes/Sizes	6-7
Geographic Distribution of Loans.....	8
Responses to Complaints.....	8
Fair Lending Review.....	8

CRA RATINGS

The bank's CRA ratings and the major factors that support those ratings are detailed below:

INSTITUTION'S CRA RATING: Satisfactory

- **The overall bank rating is a blend of the two state ratings. Performance in Wisconsin was weighted more heavily since 74% of the bank's total deposit base is attributable to that state.**
- Bank lending activity reflects good responsiveness to assessment area credit needs.
- A majority of loan originations are in the bank's assessment areas.
- The bank has not been the subject of any CRA complaints during the evaluation period.

CRA Rating for the State of Wisconsin: Satisfactory

- The distribution of commercial loans to businesses of different revenue size is excellent.
- The distribution of residential loans to borrowers of different income levels is reasonable given the percentage of families living below the poverty level and the limited availability of affordable housing stock in this assessment area.
- The geographic distribution of loans is reasonable.

CRA Rating for the State of Minnesota: Outstanding

- The distribution of construction/lot loans to borrowers of different income levels is excellent.
- EVB's loan to deposit ratio is strong when compared to similarly situated banks.
- The geographic distribution of loans is reasonable.

DESCRIPTION OF INSTITUTION

Eagle Valley Bank, National Association, St. Croix Falls, Wisconsin (EVB) is a \$98 million interstate community bank located in northwest Wisconsin on the Minnesota border. EVB is owned by Financial Services of St. Croix Falls, Inc., a one-bank holding company.

The bank's main office and a branch facility are located in St. Croix Falls, Wisconsin - approximately 45 miles northeast of the Twin Cities (Minneapolis/St. Paul, Minnesota). EVB also has two branches in the Minneapolis/St. Paul metropolitan statistical area (MSA) - Stillwater and Hudson. The Stillwater (Minnesota) location became a branch of EVB in October 1998. The Hudson (Wisconsin) branch just recently opened (November 2001). The bank offers a full service ATM at its main office in St. Croix Falls, as well as cash dispensing ATMs at the St. Croix Falls and Stillwater branch offices.

EVB is a full-service bank offering a variety of loan and deposit products. Its lending focus in the St. Croix Falls market is commercial and residential loans. In the Stillwater and Hudson markets, its focus is residential construction/lot loans. This is reflected by the bank's distribution of outstanding loans, as well as the distribution of loan originations considered in this review. As of September 30, 2001, EVB's \$82 million loan portfolio consisted of construction (37%), residential (29%), commercial (21%), consumer (7%), and other (1%) loans.

There are no financial, legal or other factors that impede the bank's ability to meet its CRA obligations. EVB was rated "Satisfactory" as of its last CRA evaluation in December 1996.

DESCRIPTION OF ASSESSMENT AREAS

EVB has two assessment areas - the St. Croix Falls assessment area and the Stillwater/Hudson assessment area.

St. Croix Falls Assessment Area

The St. Croix Falls assessment area is a non-metropolitan area consisting of Polk County, Wisconsin. The assessment area complies with regulatory requirements. Based on 1990 census data, two geographies on the northeastern edge of the county are moderate income (18%). The other nine geographies in the county are middle-income (82%).

The 2000 estimated population of this assessment area is 37,853 according to the Wisconsin Department of Administration, Demographic Services Center. This represents almost a 9% increase over 1990 census data. Polk County is experiencing population growth due to its proximity to, and increasing economic linkage with, the Twin Cities. Of the 9,582 families in the assessment area, 21% are low-income, 20% are moderate-income, 23% are middle-income, and 36% are upper-income. The Department of Housing and Urban Development's most recent (2001) estimate of median family income is \$48,400.

Polk County's economy is diversified and growing although, historically, Polk County has lower income and higher unemployment levels than the state average. In 1990, the manufacturing sector provided the most jobs (31%). The manufacturing base consists of many small- to medium-sized companies. Small businesses (those with annual gross revenues less than \$1 million) account for 87% of businesses in the assessment area. Retail, service and government are also important employment sectors, representing more than 15% of the employment base each. Plentiful forest and water resources make tourism an important component of the local economy.

Bank competition in the assessment area is healthy. EVB has the third largest share of deposits (13%) in the county according to June 30, 2001 deposit information obtained from the Federal Deposit Insurance Corporation. Competition includes several community banks and savings institutions.

We contacted one community development group during the examination and reviewed a recent government contact completed by another regulatory agency. Contacts expressed a need for small business loans and loans that result in job creation. Contacts also indicated the need for affordable housing stock, both single-family homes and rental housing.

Stillwater/Hudson Assessment Area

The Stillwater/Hudson assessment area is a metropolitan area consisting of St. Croix County, Wisconsin and nine census tracts in Washington County, Minnesota (704.01, 704.02, 705, 706.01, 706.02, 707.01, 707.02, 708.01, and 708.02). Both counties are part of the Minneapolis/St. Paul MSA. The assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income (LMI) geographies. Based on 1990 census data, two tracts on the eastern edge of St. Croix County are moderate-income (10.5%). Of the remaining census tracts in the assessment area, 11 are middle-income (58%), 4 are upper-income (21%), and 2 do not have an income designation (10.5%).

The population of this assessment area has significantly increased from the 85,048 reported in the 1990 census. St. Croix County is the third fastest growing county in the State of Wisconsin. Its population alone has grown more than 19% per estimated 2000 numbers from the Wisconsin Department of Administration, Demographic Services Center. Of the 22,344 families in the assessment area, 16% are designated as low-income, 19% are moderate-income, 25% are middle-income, and 40% are upper-income. The Department of Housing and Urban Development's most recent (2001) estimate of median family income is \$74,700 for this metropolitan area.

The economy of the assessment area is strong and diverse. Unemployment typically falls below state and national averages. Minneapolis/St. Paul is the fifteenth largest metropolitan area in the United States. It is a center for high-tech electronics, medical instruments, health care, finance, insurance, entertainment/arts, printing/publishing, as well as processing/transporting of agricultural products. The area is home to seventeen Fortune 500 companies and several of the world's largest private companies. The University of Minnesota, as well as several other public and private colleges and universities, are located in the metropolitan area. St. Paul is Minnesota's state capital.

Economic contrasts exist within the assessment area. The eastern-most edge of St. Croix County remains predominantly agricultural and the economy is better characterized as stable.

The population expansion has significantly increased the demand for, and cost of, housing in the area. According to information received from a realtor, the average home sale in Stillwater/ Hudson currently approximates \$200,000. There is very little affordable housing stock available.

Bank competition in the assessment area is strong. There are more than 30 financial institutions in the assessment area. EVB has only a 1% share of deposits in this area according to June 30, 2001 deposit information obtained from the Federal Deposit Insurance Corporation.

We contacted one realtor during the examination and reviewed a recent small business contact made by another regulator. Contacts consistently expressed a need for affordable housing stock.

SCOPE OF EVALUATION

We examined EVB using small bank performance criteria. This evaluation period covers the bank's lending activities since the previous examination (December 3, 1996) with the following notations and exceptions:

- Primary products in the St. Croix Falls assessment area are small business and residential loans. Primary products in the Stillwater/Hudson assessment area are residential construction/lot loans. This determination is based on the bank's outstanding loan mix, new loan reports for the period December 1996 through October 2001, and discussions with management.
- The loan-to-deposit ratio analysis compares bank performance to "similarly situated" institutions. Similarly situated banks in the St. Croix Falls assessment area include all active community banks that have an office in Polk County and total assets of \$50 million or more. Similarly situated banks in the Stillwater/Hudson assessment area include all active community banks with an office in that area.
- Our analysis of lending inside the bank's assessment areas is based on a sample of 20 loan originations over the evaluation period. The sample consisted of the primary loan products described above. We selected the sample from the new loan reports used to determine primary loan types.
- The bank has been a HMDA reporter since 1999, but this information is not meaningful for CRA analysis. As permitted by the regulation, EVB does not report geographic identifiers (MSA, state, county or census tract) for loans on property located outside the Minneapolis-St. Paul MSA. In addition, the bank facilitates a significant volume of brokered residential loan transactions that are not reported on the HMDA-LAR.
- Our conclusions regarding borrower income, business size, and geographic distributions are also based on loan samples. We selected a sample of 20 to 25 loans (originated between January 1, 1999 and October 31, 2001) for each primary loan product.
- Performance conclusions in the St. Croix Falls assessment area give slightly more weight to commercial loans. While the number of commercial and residential loan originations over the evaluation period are similar, the dollar volume of commercial loans exceeds residential loans by more than 40%.
- The State of Wisconsin rating is based entirely on performance in the St. Croix Falls assessment area.
- The State of Minnesota rating is based entirely on performance in the Stillwater/Hudson assessment area. From October 1998 through November 2001, the Stillwater, Minnesota branch was the sole branch in this assessment area. The branch in Hudson, Wisconsin did not open until November 2001. Therefore, we assigned a rating to the State of Minnesota and not to the Minneapolis/St. Paul MSA during this evaluation.
- The overall bank rating is a blend of the two state ratings. We weighted performance in Wisconsin more heavily since it constitutes 74% of the bank's total deposit base.

PERFORMANCE CONCLUSIONS

Loan-to-Deposit Ratio

EVB's loan to deposit ratio is strong. Using data as of December 31, 1997 and quarterly data from December 31, 1998 through September 30, 2001, the bank's average quarterly loan to deposit ratio is 92%.

In the St. Croix Falls assessment area, this ratio favorably compares to the average quarterly loan to deposit ratio of 85% for 4 similarly situated banks. Individually, the similarly situated banks' average quarterly loan to deposit ratios ranged from 73% to 94%. EVB's average quarterly ratio ranks the bank second for this time period.

In the Stillwater/Hudson assessment area, the bank's ratio of 92% also favorably compares to the average quarterly loan to deposit ratio of 82% for 12 similarly situated banks. Individually, the similarly situated banks' average quarterly loan to deposit ratios ranged from 73% to 96%. EVB's average quarterly ratio ranks the bank third for this time period.

Lending in Assessment Areas

EVB originates a majority of its loans to borrowers in its assessment areas. In a sample of 20 loans, 14 (or 70%) borrowers were located in the St. Croix Falls or Stillwater/Hudson assessment areas. Fifty-three percent by dollar were originated in the assessment areas during this evaluation period.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

St. Croix Falls Assessment Area

EVB's overall distribution of loans to businesses of different revenue sizes and individuals of different income levels is good in the St. Croix Falls assessment area.

The distribution of loans to small businesses (i.e. businesses with annual gross revenues less than \$1 million) is excellent. As the following table illustrates, 19 of the 20 loans sampled (or 95%) were originated to small businesses. This ratio exceeds the demographic (87% of the businesses in the area are categorized as small based on annual revenues).

<i>Distribution of Commercial Loans by Revenue Size of Business</i>					
Business Size	AA Demographics	Sample of Loans Originated between 1/01/1999 - 10/31/2001			
		#	%	\$	%
Small Business	87%	19	95%	\$1,137,413	98%
Large Business	7%	1	5%	\$20,700	2%
Unknown	6%	0	0%	\$0	0%
TOTAL	100%	20	100%	\$1,158,113	100%

The distribution of loans to borrowers of different income levels is reasonable given the percentage of families living below the poverty level (9%) and the limited availability of affordable housing stock in the assessment area. The following table reflects the distribution of loans sampled - 3 loans (or 12%) are to low-income borrowers and 4 loans (or 16%) are to moderate-income borrowers. These ratios are somewhat less than area demographics (21% of the families in the assessment area are low-income and 20% are moderate income).

<i>Distribution of Residential Loans by Income Level of Borrower</i>					
Borrower Income Level	AA Demographics	Sample of Loans Originated between 1/01/1999 - 10/31/2001			
		#	%	\$	%
Low-Income	21%	3	12%	\$63,035	4%
Moderate-Income	20%	4	16%	\$124,805	9%
Middle-Income	23%	7	28%	\$339,440	24%
Upper-Income	36%	11	44%	\$885,910	63%
TOTAL	100%	25	100%	\$1,413,190	100%

Stillwater/Hudson Assessment Area

The distribution of loans to borrowers of different income levels is excellent in the Stillwater/ Hudson assessment area. The following table reflects the borrower income distribution of construction/lot loans sampled. Three loans (or 15%) are to low-income borrowers; this ratio is approximates area demographics (16% of the families in the assessment area are low-income). Eight loans (or 40%) are to moderate-income borrowers; this ratio is more than double the area demographic (19% of families are moderate-income).

<i>Distribution of Construction/Lot Loans by Income Level of Borrower</i>					
Borrower Income Level	AA Demographics	Sample of Loans Originated between 1/01/1999 - 10/31/2001			
		#	%	\$	%
Low-Income	16%	3	15%	\$105,001	9%
Moderate-Income	19%	8	40%	\$367,357	29%
Middle-Income	26%	5	25%	\$355,558	28%
Upper-Income	40%	4	20%	\$425,209	34%
TOTAL	100%	20	100%	\$1,253,125	100%

Geographic Distribution of Loans

St. Croix Falls Assessment Area

The geographic distribution of loans in the St. Croix Falls assessment area is reasonable. Although none of the loans selected in a random sample were located in moderate-income geographies, the bank's loan portfolio contains commercial and residential loans in these areas. As previously mentioned, the two moderate-income geographies are located on the northeastern edge of the county, more than 20 miles from any EVB office. These areas are sparsely populated, containing less than 13% of the area's population. In addition, there are at least three competing financial institutions in closer proximity to these geographies.

Stillwater/Hudson Assessment Area

The geographic distribution of loans in the Stillwater/Hudson assessment area is reasonable, despite the fact that none of the sampled loans are located in moderate-income census tracts. The assessment area's two moderate-income tracts are located on the eastern edge of St. Croix County. This part of the assessment area remains primarily agricultural. It is sparsely populated (contains less than 11% of the population) and more than 20 miles from any EVB office. There are also several competing financial institutions in closer proximity to these tracts.

Responses to Complaints

EVB has not been the subject of any CRA complaints over the evaluation period.

Fair Lending Review

An analysis of the bank's public comments, consumer complaint information and HMDA data over the evaluation period was performed according to the OCC's risk based fair lending approach. Based on this analysis, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The last comprehensive fair lending examination was performed in 1996.